



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution authorizing the issuance of tax-exempt Industrial Revenue Bonds (IRB's) for Lustre-Cal Nameplate Corporation or an affiliate (Not to exceed \$5 million)

MEETING DATE: February 7, 2001

SUBMITTED BY: Economic Development Coordinator

RECOMMENDED ACTION: That the City Council approve the attached Resolution authorizing issuance of tax-exempt Industrial Revenue Bond (IRB's) not to exceed five million (\$5,000,000) for Lustre-Cal Nameplate Corporation or an affiliate.

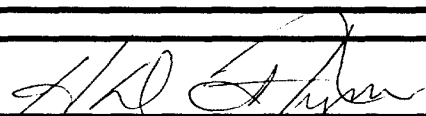
BACKGROUND INFORMATION: As stated in the council communication dated January 17, 2001, part of the City's economic development business attraction and expansion efforts oftentimes includes assisting business in securing project financing. We have, in fact, played this role on three other separate occasions by assisting Arkay Industries, Scientific Specialties Inc. and Fairmont Sign Company in securing Industrial Development Bond financing from the State of California. Manufacturing firms seek to use this financing due to the significant interest cost savings over traditional financing mechanisms. Potential savings are typically over 2% less than conventional rates. Eligible firms include businesses engaged in manufacturing.

Lustre-Cal Nameplate Corporation, a local manufacturer of custom identification products since 1964, has purchased a 4.25 acre parcel in the Beckman Industrial Park for the purpose of constructing a new 63,000 +/- square foot manufacturing facility. The recent purchase will facilitate the expansion and relocation of their present facility, consisting of approximately 36,000 square feet that is now located at 110 E. Turner Road in Lodi, Lustre-Cal's home since 1970. Lustre-Cal currently employs 110 people in Lodi with an annual payroll of approximately \$2.7 million.

Lustre-Cal is seeking an aggregate principal amount not to exceed \$5 million dollars in tax-exempt bonds to finance the project and is requesting the City of Lodi's assistance in securing the bonds by acting as a conduit for their issuance. The bonds will be issued by California Statewide Communities Development Authority (California Communities), of which the City is a member; and bond counsel, Gilmore & Bell will confirm there is no obligation or any other liability to the City of Lodi. This public hearing is required pursuant to the Federal Tax Equity Fiscal Responsibility Act ("TEFRA"), which governs issuance of such bonds, and is the initial step in the application process.

California Communities is a public agency created under California's joint powers statute. California Communities was established in 1987 and, to date, has issued over \$11 billion in bond financing. California Communities is the most active issuer of California IRB's, having funded 100 projects totaling over \$330 million. There have been no bond defaults.

APPROVED: _____


H. Dixon Flynn -- City Manager



CITY OF LODI

COUNCIL COMMUNICATION

As a matter of emphasis, staff would like to reiterate the following -- the City is not the bond issuer nor is it financially or legally responsible for bond repayment. Thus, there is no impact on the City's debt capacity or bond rating. The bonds are payable solely from company generated revenues and bond repayment security is provided by the bond applicant, Lustre-Cal Nameplate Corporation or an affiliate.

Project Advantages

- Up to \$5 million of new company capital investment
- New projected jobs – 77 within two years
- Increased annual payroll
- Consistent with adopted Economic Development Mission Statement and Strategy to retain and help expand existing business firms in the community
- Consistent with prior City Council approval of IRB bond issuances
- Manufacturing companies provide significant additional, indirect employment and revenue benefits to the City
- No City legal or financial risks

Project Disadvantages

- None

FUNDING: None required (There is no City budget impact)

Respectfully submitted,

Tony C. Goehring
Economic Development Coordinator

APPROVED: _____

H. Dixon Flynn -- City Manager

RESOLUTION NO. 2001-25

A RESOLUTION OF THE LODI CITY COUNCIL
APPROVING THE ISSUANCE OF NOTES, BONDS
OR OTHER EVIDENCE OF INDEBTEDNESS BY THE
CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY

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Local Government Participant:	City of Lodi, California
Issuer:	California Statewide Communities Development
Borrower:	Lustre-Cal Nameplate, Joseph C. and Clydene G. Hohenrieder or an affiliate
Obligations:	Notes, Bonds or any other evidence of indebtedness of the Issuer
Maximum Principal Amount:	\$5,000,000
Public Hearing Date:	February 7, 2001

WHEREAS, the Issuer in its inducement resolution (the "Inducement Resolution") attached hereto as Exhibit A has proposed to issue its notes, bonds or other evidence of indebtedness (the "Obligations") in an aggregate principal amount not expected to exceed the Maximum Principal Amount pursuant to the California Industrial Development Financing Act, Section 91500 et seq. of the Government Code of the State of California, as amended and supplemented (the "Act"); and

WHEREAS, the project to be financed by the Obligations consists of the acquisition, construction, rehabilitation and improvement of property, including real and personal property, to be used as, or as a part of, a manufacturing facility (the "Project") as described in the Inducement Resolution; and

WHEREAS, the Issuer has requested that the governing body of the Local Government Participant approve the issuance of the Obligations in order to satisfy the public approval requirement of Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), the requirements of Section 9 of the Amended and Restarted Joint Exercise of Powers Agreement (the "Agreement"), dated as of June 1, 1988, among certain local agencies, including the Local Government Participant, and the public agency approval requirement of Section 91530(f) of the Government Code of the State of California, as amended; and

WHEREAS, the governing body of the Local Government Participant hereby finds and determines that the Project is not substantively inconsistent with the Local Government Participant's general plan as prepared and adopted in accordance with Article 5 (commencing with Section 65300 of the Government Code of the State of California) of Chapter 3 of Title 7; and

WHEREAS, the Local Government Participant held a public hearing on the Public Hearing Date providing a reasonable opportunity for persons to comment on the issuance of the Obligations and the Project; and

WHEREAS, it is intended that this resolution shall constitute the approval of the issuance of the Obligations required by Section 147(f) of the Code, Section 9 of the Agreement and Section 91530(f) of the Government Code of the State of California;

NOW, THEREFORE, BE IT RESOLVED, by the governing body of the Local Government Participant, that the issuance of the Obligations is hereby approved for the purposes of Section 147(f) of the Code, Section 9 of the Agreement and Section 91530(f) of the Government Code of the State of California.

Dated: February 7, 2001

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I hereby certify that Resolution No. 2001-25 was passed and adopted by the City Council of the City of Lodi in a regular meeting held February 7, 2001, by the following vote:

AYES: COUNCIL MEMBERS – Hitchcock, Howard, Land and Pennino

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – Mayor Nakanishi

ABSTAIN: COUNCIL MEMBERS – None



SUSAN J. BLACKSTON
City Clerk

EXHIBIT A
ISSUER'S INDUCEMENT RESOLUTION

RESOLUTION NO. 2000IDB-18

RESOLUTION OF THE CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY MAKING DETERMINATIONS WITH
RESPECT TO THE FINANCING OF FACILITIES AND DECLARING ITS
OFFICIAL INTENT TO UNDERTAKE THE FINANCING AND TO
REIMBURSE CERTAIN CAPITAL EXPENDITURES FROM PROCEEDS OF
INDEBTEDNESS

Borrower: Lustre-Cal Nameplate Corporation or an affiliate
 Obligation: Notes, Bonds or any other evidence of indebtedness
 Maximum
 Principal Amount: \$5,000,000
 Activities and Uses
 of the Project: In a manufacturing facility or facilities that manufactures labels,
 nameplates and related supplies
 Anticipated
 Public Benefits: (a) Employment benefits (within the meaning of Section 91502.1(b)(1)
 of the Act) by securing or increasing the number of employees of the
 Borrower and any other direct users of the Project or the
 compensation for such employment.
 (b) Consumer benefits (within the meaning of Section 91502.1(b)(3) of
 the Act) by improving the quantity or quality or reducing the price of
 products, energy or related services or facilities, and by producing
 new or improved products or related services or facilities.

WHEREAS, the California Statewide Communities Development Authority (the "Issuer") is authorized and empowered by the provisions of Title 1, Division 7, Chapter 5 of the Government Code of the State of California to issue its Obligations pursuant to the California Industrial Development Financing Act, as amended and supplemented (the "Act"), for the purpose of financing certain costs of a project, as that term is defined in the Act; and

WHEREAS, the Borrower desires to acquire, construct, rehabilitate and improve property, including real and personal property, to be used as, or as a part of, a manufacturing facility (the "Project"); and

WHEREAS, the Borrower is willing to acquire, construct, rehabilitate and improve the Project upon the issuance by the Issuer of the Obligation to finance the Project pursuant to the Act; and

WHEREAS, the Borrower has heretofore submitted, and this Commission has accepted, an application requesting financing for the Project; and

WHEREAS, the Issuer may not issue the Obligation to finance the Project until this Commission makes certain determinations with respect to public benefits and qualification of the Project as required by the Act; and

WHEREAS, this Commission has carefully considered and discussed the information contained in the Borrower's application and other information necessary to make such determinations; and

WHEREAS, this Commission desires to induce the Borrower to commence acquisition, construction, rehabilitation and improvement of the Project at the earliest possible time so as to produce the public benefits set forth herein; and

WHEREAS, the Issuer, in the course of assisting the Borrower in the financing of the Project, expects that the Borrower has paid or may pay certain expenditures (the "Reimbursement Expenditures") in connection with the Project within 60 days prior to the adoption of this Resolution and prior to the issuance of the Obligation for the purpose of financing costs associated with the Project on a long-term basis; and

WHEREAS, the Issuer reasonably expects that the Obligation in an amount not expected to exceed the Maximum Principal Amount will be issued and that certain of the proceeds of the Obligation may be used to reimburse the Reimbursement Expenditures; and

WHEREAS, Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations require the Issuer to declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of a subsequent borrowing;

NOW, THEREFORE, the Commission of the California Statewide Communities Development Issuer does hereby resolve as follows:

Section 1. This Commission hereby finds and determines that the foregoing recitals are true and correct.

Section 2. This Commission hereby finds and determines that:

- (a) the Activities and Uses of the Project are in accord with Section 91503 of the Act;
- (b) the use of the Project is likely to produce the Anticipated Public Benefits;
- (c) the issuance of the Obligation by the Issuer in an amount sufficient to finance certain costs of the Project, which is now estimated not to exceed the Maximum Principal Amount, as described in the Borrower's application attached hereto as Exhibit A, is likely to be a substantial factor in the accrual of one or more of the Anticipated Public Benefits from the use of the Project as proposed in the Borrower's application; and
- (d) the acquisition of the Project by the issuance of the Obligation is otherwise in accord with the purposes and requirements of the Act.

Section 3. It is the present intent of the Issuer to issue, at one time or from time to time, the Obligation (the interest of which is intended to be exempt from federal income taxation) when permitted to do so under the Act in the amount not to exceed the Maximum Principal Amount to finance certain costs of the Project.

Section 4. This Resolution is being adopted by the Issuer for purposes of establishing compliance with the requirements of Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations. In that regard, the Issuer hereby declares its official intent to use proceeds of indebtedness

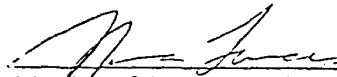
to reimburse the Reimbursement Expenditures. Notwithstanding the foregoing, this resolution does not bind the Issuer to make any expenditure, incur any indebtedness, or proceed with the financing of the Project.

Section 5. This resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED by the California Statewide Communities Development Authority this 19th day of December, 2000.

* * * * *

The undersigned, a duly appointed and qualified Member of the Commission of the California Statewide Communities Development Authority, **DOES HEREBY CERTIFY** that the foregoing resolution was duly adopted by the Commission of the Issuer at a duly called meeting of the Commission of the Issuer held in accordance with law on December 19, 2000.



Member of the Commission
California Statewide Communities
Development Authority



CITY OF LODI
Carnegie Forum
305 West Pine Street, Lodi

NOTICE OF PUBLIC HEARING

Date: Wednesday, February 7, 2001

Time: 7:00 p.m.

For information regarding this notice please contact:

Susan J. Blackston

City Clerk

Telephone: (209) 333-6702

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that on Wednesday, February 7, 2001 at the hour of 7:00 p.m., or as soon thereafter as the matter may be heard, at the Carnegie Forum, 305 West Pine Street, Lodi, the City Council of the City of Lodi, California (the "City"), will conduct a public hearing concerning the issuance and sale by the California Statewide Communities Development Authority (the "issuer") of notes, bonds, or any other evidence of indebtedness (the "Obligations") in an aggregate principal amount not expected to exceed \$5,000,000. Proceeds of the Obligations are to be loaned to Lustre-Cal Nameplate Corporation, Joseph C. and Clydene G. Hohenrieder or an affiliate (the "Borrower") pursuant to a Loan Agreement (the "Loan Agreement") to provide for the acquisition, construction, rehabilitation and improvement of property, including real and personal property, to be used as, or as a part of, a manufacturing facility (the "Project") to be used in the manufacturing of labels, nameplates and related supplies. The Project will be located at the northwest corner of Industrial Way and South Guild Avenue, Lodi, California 95240 and/or 1101 East Turner Road, Lodi, California 95240. The Obligations will be paid entirely from repayments by the Borrower under the Loan Agreement. Neither the faith and credit nor any taxing power of the City, the Issuer, the State of California (the "State") or any other political corporation, subdivision or agency of the State is pledged to the payment of the principal of or premium, if any, or interest on the Obligations, nor shall the City, the State or any other political corporation, subdivision or agency of the State be liable or obligated to pay the principal of or premium, if any, or interest on the Obligations.

The public hearing is intended to comply with the public approval requirements of Section 147(f) of the Internal Revenue Code of 1986.

Those wishing to comment on the proposed nature and location of the Project and the financing of the Project with the proceeds of the Obligations may either appear in person at the time and place indicated above or submit written comments, which must be received prior to the public hearing, to the City in care of Susan J. Blackston, City Clerk, at 221 West Pine Street, Lodi, California 95240 or P.O. Box 3006, Lodi, California 95241-1910.

By Order of the Lodi City Council:

Susan J. Blackston
City Clerk

Dated: January 17, 2001

Approved as to form:

Randall A. Hays
City Attorney

**NOTICE OF FILING AN APPLICATION WITH
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY**

NOTICE IS HEREBY GIVEN that Lustre-Cal Nameplate Corporation (the "Corporation") has filed an application with the California Statewide Communities Development Authority (the "Issuer") and that the Issuer has accepted the application. The application requests that the Issuer issue its notes, bonds or any other evidence of indebtedness (the "Obligations"), in an aggregate principal amount not expected to exceed \$5,000,000, to finance the acquisition, construction, rehabilitation and improvement of property, including real and personal property, to be used as, or as a part of, a manufacturing facility for the Corporation, Joseph C. and Clydene G. Hohenrieder (the Corporation's owners) or an affiliate (the "Project"), to be used in the manufacturing of labels, nameplates and related supplies, which Project will be located at the northwest corner of Industrial Way and South Guild Avenue, Lodi, California 95240 and/or 1101 East Turner Road, Lodi, California 95240. Neither the faith and credit nor any taxing power of the City of Lodi, California (the "City"), the Issuer, the State of California (the "State") or any other political corporation, subdivision or agency of the State is pledged to the payment of the principal of or premium, if any, or interest on the Obligations, nor shall the City, the State or any other political corporation, subdivision or agency of the State be liable or obligated to pay the principal of or premium, if any, or interest on the Obligations.

Further particulars may be obtained by reviewing the application at the Issuer's office, located at 1100 K Street, Suite 101, Sacramento, California, during regular business hours.

Dated: January 18, 2001

/s/ Dan Harrison
Secretary
California Statewide Communities
Development Authority